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RUEHBUL/AMEMBASSY KABUL 2044
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C O N F I D E N T I A L SECTION 01 OF 02 NEW DELHI 009128

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SUBJECT: NEW ALLEGATIONS BREATHE LIFE INTO NATWAR OIL
SCANDAL, THREATENING GOI AGENDA

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Classified By: DCM Robert Blake, Jr. for Reasons 1.4 (B, D)

11. (C) Summary: The NDA's anti-UPA, anti-Natwar Singh campaign got a new lease on life December 2 when longtime Natwar Singh confidant (and serving Indian Ambassador to Croatia) Aneil Mathrani claimed in a television interview that the former Foreign Minister was deeply and personally involved in the oil-for food scandal. The uproar was instantaneous. The NDA took immediate advantage of this opening to demand Natwar's arrest, and force adjournment, while the GOI recalled Mathrani from Zagreb. After a quiet initial week, the remainder of Parliament's Winter Session could now be more stormy, with the LF and UPA digging in to defend against a renewed opposition onslaught. End Summary.

New Allegations Put Wind in the NDA's Sails

12. (U) Just when it appeared that the UPA had successfully deflected the NDA attack, the national news channel "Aaj Tak" featured a lengthy interview with Natwar Singh confidant and current Ambassador to Croatia Aneil Mathrani. He alleged that the former Foreign Minister has been deeply involved in the oil-for-food scandal as noted in the Volcker Report, and implied that Natwar's denials were duplicitous. On December 2, the NDA delegation immediately demanded a statement from the PM on the Mathrani allegations, with BJP leaders demanding Natwar's immediate arrest. The revelations have encouraged new rumors that Natwar will soon leave the cabinet. The GOI has recalled Mathrani from Croatia.

At First the NDA Adjournment Motion Flops

13. (U) The NDA had signaled in advance their intention to disrupt Parliament and put the UPA on the defensive over Congress corruption, epitomized by stories of Soviet pay-offs to Congress officials during the cold war and Congress involvement in the oil for food scandal. However on November 28, under the able leadership of Finance Minister P. Chidambaram, the UPA and its Left allies easily defeated an NDA attempt to adjourn the house over the Volker Report and compel the GOI to share all Volcker related documents with Parliament. Dismissing the motion as "unjustifiable," Chidambaram noted that no other country named in the Report has responded as swiftly as India and the UPA-appointed Pathak Committee would present a full report to Parliament. Opposition leader LK Advani conceded that if the UPA had initially spoken with such clarity, there would have been no need for an adjournment motion. NDA Spokesman Arun Jaitley was more combative, claiming that the Volcker Report could "tarnish the Congress image," and that "Congress had entered the Volcker era." In the end, the MP's defeated the BJP adjournment motion on a voice vote in the Lok Sabha on November 27 and in the Rajya Sabha on November 28.

The Boomerang Effect

14. (C) Our contacts among Congress MPs argued before the Mathrani interview that the BJP was reluctant to go to the carpet on the Volcker scandal, knowing that some in the NDA might be vulnerable to similar charges of seeking "non contractual advantage" from other transactions. Now, the NDA

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leadership is on the offensive, which inevitably will detract from Manmohan Singh's reformist agenda. One opposition MP told Poloff that Natwar is no longer the target, and the NDA will go after Sonia as well and demand her resignation. He, and other contacts, agreed that Natwar's fate is sealed and his departure will not end the matter.

Comment - Is UPA Up to the Challenge?

15. (C) By December 1, the UPA was beginning to rest easy, convinced that the oil for food scandal, like most others in Indian politics, was drifting from public consciousness. The NDA had been able to score few points on the issue and the had LF rallied to the defense of Congress, while UPA floor managers such as Finance Minister Chidambaram and Defense Minister Mukherjee proved capable of meeting the verbal onslaught of the BJP's big guns such as Jaitley and Shourie. The UPA was also relieved that the contentious IAEA issue did not come to a vote, robbing the NDA and LF of a potential issue. On December 2, all was upset, as the Mathrani revelations pumped new life into the NDA, which is now attacking Congress with renewed vigor. The UPA may now find itself on the ropes again, with key Congress leaders fighting for their political lives.

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